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MORNING NOTE

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EAU TECHNOLOGIES, INC.
(OTC BB: EAUI: \$0.80, BUY)
INDUSTRY: MANUFACTURING

Disclosures: 1, 10

FY: Dec	2007A	2008E	2009E
EPS	(\$0.79)	(\$0.28)	(\$0.19)

Insider Buy At EAUI; Bolsters Buy Case

From recent conversations with management, we believe that the achievement of Category 1 status with 100% kill at Murray's Chicken has opened some doors to EAUI. We expect an announcement soon and are buyers ahead of it.

Director Ted Jacoby privately purchased 100,000 shares of EAUI in a private purchase on November 10 for \$1.00 per share, more than doubling his total holding to 173,077 shares.

This represents about a 20% premium to the open market price on November 10. EAUI has been trading recently around the \$0.75-\$0.80 level.

We have been hoping for some new customer announcements from EAUI – this supports our case that something is in the works.

Our price target of \$2.00 per share represents 18x projected 2009 sales, discounted back at 20%. We reaffirm our **BUY** rating on EAUI.

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Accumulate	Purchase of the stock is recommended for above average appreciation over the next 12 to 18 months, but the buyer may have an opportunity to acquire the stock within a 10% trading range.
Hold	Holding the stock is recommended because the share price has moved above the specific "Buy" range and, therefore, appreciation potential is less than or equal to the market.
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